

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

April 10, 2014

Members in attendance: Rich Bowen, Tom Busa, Steve Carluccio, Bob Kenney, Elizabeth McClung, Barbara Perry, Mike Seibert (out-going Chair), Steve Steele (in-coming Chair), Ben Thomas.

Others in attendance: Victor Garofalo, *Director of Finance and Collector/Treasure*; Paul Mortenson, *4 Wellington Way*; Ed Pierce, *School Committee (Chair)*.

Committee Re-organization

Chair: Mr. Busa nominated Mr. Steele for Chairman of the Finance Committee. Mr. Thomas seconded. The vote passed unanimously 9-0-0.

Vice Chair: Ms. Perry nominated Mr. Bowen for Vice Chair, saying it was Mr. Bowen's turn and that she would like to see FinCom become more orderly about leadership rotation, as other committees are. Mr. Kenney seconded the nomination.

Mr. Busa nominated Mr. Thomas. Mr. Kenney seconded.

Mr. Carluccio asked Ms. Perry what was meant by "it's Mr. Bowen's turn." Ms. Perry said Mr. Bowen had longevity and that other committees rotate leadership in a prescribed fashion. In the past, FinCom had a standard rotation but it fell away to a "more scattered" approach. Ms. Perry remembered when she first interviewed to be a member of FinCom, the Selectmen asked if she would be willing to chair, a question that is now asked of all applicants for Town committee and board.

Mr. Busa said in his 11 years on Fin Com he had never known there to be a prescribed rotation. Mr. Carluccio asked Mr. Pierce how the School Committee handles leadership rotation. Mr. Pierce concurred with Ms. Perry that a standard rotation is regularly followed.

The vote for Mr. Bowen as Vice Chair resulted in a 2-3-4 tally and failed to pass.

The vote for Mr. Thomas for Vice Chair resulted in a 5-1-3 tally, electing Mr. Thomas to the office.

Clerk: Mr. Thomas nominated Ms. McClung for Clerk. Mr. Kenney seconded. The vote resulted in an 8-0-1 tally, confirming Ms. McClung for the office.

At this juncture, Mr. Seibert stepped down and Mr. Steele assumed the role of Chair.

Committee Assignments

It was noted that Mr. Seibert will be leaving the Committee and a new appointee will take his place. Therefore, those liaison positions now assigned to Mr. Seibert will later be given to the new member.

Assessors.....Rich Bowen

BLT.....Mike Seibert/New member

Capital Expenditure.....	Barbara Perry
COA.....	Mike Seibert/New member
Code Enforcement.....	Barbara Perry
Community Preservation.....	Barbara Perry
DPW.....	Steve Steel and Rich Bowen
Facilities.....	Elizabeth McClung
Finance, Insurance.....	Steve Steele and Ben Thomas
Fire.....	Tom Busa
Fiscal Planning.....	Steve Steele and Ben Thomas
Health.....	Ben Thomas
Historical Preservation.....	Elizabeth McClung
Legal.....	Steve Steele and Ben Thomas
Library.....	Tom Busa/maybe new member
Planning.....	New member
Police.....	Tom Busa
Recreation.....	Ben Thomas and Steve Carluccio
Schools.....	Steve Carluccio and Elizabeth McClung
Selectmen.....	Steve Carluccio and Ben Thomas
Hanscom AFB Strategic Communications	Rich Bowen and Elizabeth McClung
Town Center.....	New member
Town Clerk.....	New member
Vocational Education.....	Bob Kenney
Youth and Family Services.....	Tom Busa

Ms. Perry said that FinCom liaisons may not be spending as much time attending other committees' meetings as perhaps they should. She added that meeting with department heads could be even more important for FinCom to understand the financial landscape before budgets are presented.

Post Annual Town Meeting Review:

Mr. Seibert read from the notes he'd made about issues to be discussed after Town Meeting concluded.

- Snow budget
- Policy on unused levy
- School budget funding model
- One time versus infinite
- Guideline versus level funding versus dream budget

Snow budget: Mr. Thomas said that FinCom continually shovels money into the snow budget surplus line item. He asked whether the snow budget should be handled in the same way as road resurfacing is, with a higher, constant annual allocation so that the snow deficit doesn't have to be continually revisited.

Mr. Garofalo clarified that extra money in the snow budget would revert to Free Cash at the end of

the fiscal year and that the allocation cannot be used for anything other than snow removal. He added that 3 or 4 years ago, the regular snow budget line item was increased by \$50,000-\$60,000. The line item is also increased a little each year due to DPW employee salary increases.

Mr. Busa said the snow budget is one of two line items that can be overspent, the second one being the overlay surplus under the Assessors' budget. He said the reason the snow surplus line item is used—rather than merely increasing the regular snow budget to a higher figure as Mr. Thomas suggests—is because raising the snow budget would increase the base of the Selectmen's budget. The snow surplus—outside the Selectmen's base budget—can be adjusted as needed without affecting the overall baseline. The cost of snow removal also fluctuates from year to year: sometimes the surplus is adjusted again and again as the season unfolds and sometimes even the regular snow budget is turned back to Free Cash. It depends on the weather and how much removal ends up costing.

Mr. Steele said it was helpful when DPW Director Sorenson put a dollar value on how much it can cost to remove an inch of snow. Mr. Garofalo said that, even though outside contractors are used, most of the snow removal is handled by the DPW staff.

Unused levy: Mr. Thomas said he appreciated Mr. Reed's narrative about Mitre and the unused levy capacity that resulted when the Mitre property became non-taxable. He wondered, however, whether the amount currently in unused levy truly represents the amount the property would be taxed. In other words, should the amount increase yearly? And, is the term "unused levy" accurate and/or does it lead people to think the money is there for the taking?

Ms. Perry, Mr. Bowen and Mr. Garofalo replied the term "unused levy" is accurate and is a descriptive legal term. Mr. Garofalo said Burlington, for example, also has an unused levy line item in their budget.

Mr. Carluccio said it took him three years on the Finance Committee before he understood that "unused tax levy" had anything to do with Mitre.

Mr. Busa explained that the Mitre connection to the unused levy was removed from the story because the company became sensitive to being identified with it. The PILOT that Mitre pays to the Town instead of taxes is a 25 year arrangement that the company agreed to increase over time, although not to the same level or at the same rate as the taxes that would have been paid. The increase is linked instead to a separate, unspecified factor. The PILOT started as \$1.2M and is now about \$1.5M but the Town hasn't increased the unused levy line item amount to \$1.5M. At one point, when the Town was in need, the original \$1.2M "line" was crossed and the unused capacity amount decreased to somewhere between \$500,000 and \$750,000. Mr. Busa said that slowly, over time, the amount has risen again to \$1M.

Ms. Perry said she agreed with Mr. Carluccio: new members of FinCom should be informed about the meaning and history of the unused tax levy issue.

Mr. Steele said perhaps something should be written up in the Town's financial policies about it. Mr. Bowen and Ms. Perry disagreed, saying it wouldn't be appropriate to call this a policy. Mr. Steele said he would include a lengthier discussion of the topic in a future agenda, early in the next budget cycle. Mr.

Bowen said FinCom votes on the amount of the unused levy at the beginning of budget discussions and that it's one of the determining components of each year's financial model.

Ms. Perry pointed out that at the end of the 25 year PILOT agreement, pain will be felt when the PILOT disappears, causing either budget cuts or increased burden to tax payer is the unused tax levy is used.

Ms. McClung cautioned that a tax increase could impact seniors in such a way that would result in them leaving town, making way for move-ins with school age children.

Mr. Seibert reminded the Committee of a comment made by Peter Naum , former Director of Finance. After a bond rating session, he cautioned the Town was "not taking advantage of an opportunity to address its liabilities."

"What we're doing is essentially giving ourselves a tax break and putting blinders up to some liabilities that the bonding agencies would rather have us burn down before we give ourselves tax breaks," Mr. Seibert said.

Mr. Busa remembered that Mr. Naum had emphasized this point. He added that Town Manager Reed also spoke about not using the money for budgetary reasons but using it for one-time expenses or for liabilities. However, Mr. Busa added that the Town has been doing a lot of the things Mr. Naum recommended. Progress has been made, even though the ultimate goals have not yet been met.

Mr. Carluccio asked why the Town would have a triple A rating if it isn't doing what it should?

Mr. Busa again pointed to the amount of unfunded liability the Town carries; Mr. Seibert said that Bedford continues to dedicate less money annually to unfunded liabilities compared to other triple A municipalities. The Town is "falling behind".

Mr. Busa said that the last few years the Town has put in more toward the unfunded liability and made the commitment to devote a steady amount each year. Because the initial plan to dedicate a certain amount was intended to extend to 5 years—and this is year 3 of that plan—FinCom will revisit the practice soon and either adjust it or keep it steady.

Ms. McClung added that the Massachusetts House 59 legislative bill may impact OPEB liability.

Mr. Bowen said a new audit would be coming out next January and additional funds to put toward OPEB may be available after that. The State's local aid decisions could also lessen each town's OPEB exposure.

Mr. Carluccio said that, given the history of the unused tax levy, he didn't think it fair to call it a "tax break." "It's honoring an agreement that the Selectmen and Finance Committee at the time made to taxpayers."

Guideline versus level funding versus dream budget: Mr. Thomas said it would be nice to hear budget presentations that spelled out basic needs and also additional ways in which departments would use extra money, if they had it.

Ms. Perry said that “contingencies” used to be a regular part of budget discussions. If there was extra money—and FinCom had a list of contingencies from different departments—it could discuss which contingencies to fund after the baseline budgets had been satisfied.

Mr. Garofalo pointed out that this year there were several departments that came in with contingency requests—the Selectmen, Library, Board of Health, Planning. The Assessors were the only department that came in “on target.”

Mr. Busa added that Police and Fire discussed their contingencies with the Town Manager before Mr. Reed made the Selectmen’s budget presentation.

Mr. Seibert said the handout the Schools distributed at Town Meeting was really good. He noted to Mr. Pierce and Mr. Garofalo that it would be helpful for the Schools to provide FinCom with the same sort of information, expressed in a similar format, before or during the budget negotiations. Mr. Bowen concurred that the information was useful and that it will be valuable to the process. Ms. Perry said the School Committee liaison could draft something that shows the Schools what FinCom needs to know.

Mr. Thomas said he doesn’t know how to make sense of a budget request without understanding the numbers behind the total. Mr. Steele said the liaisons get the original School budget in hard copy form but they don’t get new versions as the budget is amended. The Schools’ budget process starts in September and can continue until Town Meeting, generating multiple versions of the document.

Ms. McClung said the Schools should provide a budget that comes in at guideline and then provide additions above guideline. In this year’s round of budget negotiations, it was hard to understand whether cuts were being made to the current School budget—impacting current staff and programs— or to next year’s budget request as originally presented, impacting projected new hires or programs.

School budget funding model: Mr. Thomas said he was unsure whether the right model was being used to calculate the percentage increase for the School budget.

“If enrollment is a major driver, perhaps our budget model should be considering enrollment and not just ‘it’s a 2.8% increase this year, just like everyone else.’” He said he didn’t have a perfect solution but was “opening a conversation” about a recurring issue. Perhaps a base increase with a separate agreement taking enrollment numbers into consideration would be a better way to approach the School budget.

Ms. Perry said that the budget would have to come down if enrollment numbers decreased.

Mr. Bowen said enrollment increases are coming in fairly substantial increments: two classrooms, two teachers, two or three FTEs.

Ms. Perry said that this year’s negotiated budget included an additional 14 FTEs that started at 18, then 16.5 and finally 14 when the final budget was approved. “I don’t recall in my years on Finance Committee having anything close to that as an FTE increase. That’s huge.”

Mr. Thomas replied that it isn't just the number of students, it's what accounts for the budget drivers. The budget would have to address whatever those drivers are. "If there's a tidal wave of enrollment coming, it seems unrealistic to hold them to a percentage."

Mr. Seibert recalled that there were two drivers this year: enrollment and mandates.

Mr. Carluccio said that some of the drivers are what the Schools choose them to be. "They choose class sizes of a certain amount for one place and choose different class sizes somewhere else. It's a dynamic, complicated thing. There are consequences for choices."

Mr. Bowen said, if a more flexible model is going to be used, getting early enrollment numbers in the fall—before budget discussions get fully underway—would be helpful to set expectations.

Policy pension trust fund: Mr. Seibert read aloud the policy on the pension trust fund , saying it seemed meager:

"Withdrawal from this fund is used to offset a portion of the annual pension assessment."

He added that it would be better to add more information, such as what a good balance would be, how much to withdraw, etc.

Mr. Thomas asked if there had been agreement about the policy when it was drafted.

Ms. Perry said it started out as a more detailed statement that kept getting pared back to keep it general.

Mr. Bowen said it makes sense to quantify in writing how much will be dedicated on a yearly basis to fully fund past-employee pension trust fund liability by 2035 as planned. Mr. Garofalo will write up some language about this and present it at the May meeting.

Old business: Mr. Thomas asked Mr. Seibert to forward to FinCom members the speech and dashboard presentation he made, particularly since Mr. Seibert will be stepping down from the Committee. Mr. Steele added that continuity in how information is presented is important.

Ms. McClung said it would be helpful to have an overview of all the departments before the individual budgets are discussed. Mr. Garofalo said it might be hard to have firm information earlier than Special Town Meeting in November. The Schools came in this year for a preliminary presentation in early December and Mr. Reed presented some key information early on as well.

Mr. Steele agreed with Ms. McClung, saying getting the enrollment figure tallied in late September would be helpful. Mr. Garofalo suggested FinCom send departments a memo, outlining what the Committee would like to know and the date it should be reported. Mr. Garofalo added that each department knew this year when they'd be presenting.

Mr. Steele said he'd plan to start the process in September for the next budget cycle. Mr. Garofalo said the meeting room has been booked for FinCom on Thursdays through that period and that he'd eliminate booking as the meeting schedule was refined.

Mr. Seibert reminded the Committee that the volunteer workshop will take place on Wednesday, April 16th.

Ms. Perry reported that she and Mr. Garofalo will work together to compose a Community Preservation fact sheet to provide a clear understanding of the different funds and fund balances and how they can each be used.

Mr. Bowen asked if a health benefit reserve existed. Mr. Garofalo said that money had been set aside as required to cover the transition period between when the Town used private health insurance and when it joined the State's GIC program. The need for a transition escrow goes away in FY15; current balance in the fund is \$300,000. The fund was started at \$500,000; \$100,000 was added to it; it has now been depleted to \$300,000. At the end of FY15, whatever is in the account at the time will revert to Free Cash.

Mr. Garofalo said that Free Cash should be used for one- time expenses only, not to balance the budget.

Mr. Thomas circled back the overlooked item—once versus infinite— in the post annual town meeting review portion of the agenda. He said, when he requested this become an agenda item, he was referring specifically to the FY15 Planning budget in which \$9,000 from FY14 was inadvertently left in for a consultant who was no longer needed. Subsequently, the percentage increase for the Planning department for FY15 was built on a baseline inflated by this \$9,000 because FinCom didn't remove the amount.

Mr. Steele agreed that all the budgets should be scrutinized before a baseline figure is verified to be used to calculate the following year's budget.

Mr. Seibert announced there is an OPEB strategy meeting on Thursday, April 24th in Lincoln and a representative from Bedford is needed. Selectman Rosenberg is organizing the meeting; time and place is not yet known.

Mr. Seibert also announced that several Association of Town Finance Committees meetings will take place in May, one in Boston on May 1 (Legislation and Budget); one in Amherst on May 8 (Schools); one on Marion on May 15 (Long-range Planning.) There is no cost to attend but registration is required.

Mr. Steele will scan the information and send them to Committee members.

New Business: Mr. Bowen asked that a resolution be made expressing gratitude to former Chair Mr. Seibert for his "very professional and efficient conduct of meetings" during the two years he served as president. Mr. Seibert was additionally recognized for initiating the financial status dashboard model that facilitated a better understanding of Town finances at the last two Annual Town Meetings. Mr. Seibert's tenure on FinCom spanned 10 years.

Mr. Busa seconded Mr. Bowen's call for a resolution. The motion was carried: 8-0-1.

Meetings attended: Mr. Thomas reported on the Selectmen's meeting. He said the Town is bundling several road rebuilding projects in the center of town. It seemed to him as though the combination of projects had not been thoroughly thought through and it was unclear what the impact would be on Chapter 90 funds. There was a lack, he said, of detail and "crisp" answers.

Mr. Bowen will call town engineer Adrienne St. John to ask for more detail about the projects.

Ms. Perry said she knows the DPW has a plan for how to allocate Chapter 90 funds. Mr. Bowen said that the last two years of communication about how Chapter 90 funds have not led to a desired level of transparency.

Ms. McClung asked if upcoming road projects are listed on the DPW website. Mr. Bowen said he hasn't been able to find them posted but he knows there is a list. He added that Lexington does a better job of making this kind of information available to its residents.

Ms. Perry reported that the last Capital Expenditures meeting was a year-end wrap-up during which the Committee tried to reorganize but no one was willing to assume the role of chair. The current chair is leaving the group to travel while on sabbatical from her job. The three CapEx liaisons—FinCom, Schools and Selectmen— cannot chair the committee so Ms. Perry is not eligible. There is a pool of six "at-large" members from which a chair can be drawn. It was the first meeting for one new member and Ms. Perry said there's a chance that person may step up to chair. Another second new member will also join the group soon.

Ms. Perry said that Capital Expenditures also discussed the Town's asset management software system and determined that it is a good database but not yet useful as a capital project ranking tool. The Committee wants a more uniform approach to be adopted across departments so that prioritizing criteria is used evenly.

CapEx also talked about how to improve its Town Meeting presentations. Ms. Perry said Selectman Moonan suggested providing "the why" behind each capital project: the drivers as well as the differences that prompt the ranking assignments.

CapEx will also ask for more information before it ranks projects. The recent trend toward bundling vehicles was questioned as was whether painting should be bundled and whether it should be considered "capital" or "operating." Ms. Perry said it wouldn't be a bad idea for the FinCom liaison and the CapEx liaison to work together with the new DPW and Facilities directors.

Other questions that were raised:

- Should CapEx be able to withdraw a project? The way it's handled now, a project without a high level of support receives a low ranking and stays on the bottom of the list unless the department withdraws it. Mr. Carluccio pointed out that CapEx can bestow rankings but the Selectmen can override the order.

- Should there be another layer of review beyond Assistant Town Manager Porter that oversees department rankings before CapEx scores the project?

Mr. Bowen agreed with Selectman Moonan's recommendation about providing justifications for different projects. He was disappointed in the lack of justification for the Town Hall MEP project. Life span, energy efficiency and return on investment should be standard components of how projects are evaluated.

Mr. Steele added that he believes CapEx is looking for a comprehensive plan of sorts for expected upcoming building upkeep or renovation. Ms. Perry agreed, calling such a plan something like a space needs study. "There are a lot of buildings that have needs. We know that the fire department needs space; we know the police department doesn't have enough room to keep evidence; we know the schools are constantly evolving; we know this building (Town Hall) needs work—but neither the Finance Committee nor Capital Expenditures approved it because we just felt the plan wasn't ready for prime time. A lot of our buildings are coming up on a 20 year cycle—it doesn't mean anything needs to be done—but chances are something does need to be done. It's an appropriate time to start studying the major buildings again."

Minutes: Mr. Bowen moved that the Finance Committee approve the minutes of March 20 as amended. Ms. McClung seconded. The motion passed on a vote of 8-0-1.

Mr. Seibert moved that the meeting be adjourned. Mr. Bowen seconded. The motion passed 9-0-0.

Respectfully submitted,
Kim Siebert, Finance Committee Recording Secretary